

Message Text

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C O N F I D E N T I A L CAIRO 8777

EXDIS

C O R R E C T E D C O P Y (MRN 8777 VICE 8709)

E.O. 11652: GDS

TAGS: ENRG, PFOR, EG, US, IS

SUBJECT: MIDDLE EAST NEGOTIATIBNS: EGYPTIAN TAKEOVER OF SINAI
OIL FIELDS

1. ON SEPTEMBER 3, MOBIL OIL EGYPT CHAIRMAN SPEILMAN INFORMED US OF AUGUST 31 CONVERSATION WITH MINPET HILAL ON SUBJECT OF TAKEOVER OF MOBIL'S THREE SMALL FIELDS ONSHORE IN SINAI. ACCORDING TO SPEILMAN, HILAL SUGGESTED THAT MOBIL WOULD FIRST RECEIVE OIL FIELDS FROM ISRAELIS AND SEVERAL DAYS LATER EGYPTIAN OPERATORS WOULD TAKE OVER. HE SPECIFICALLY ASKED THAT SPEILMAN REPRESENT MOBIL IN THIS SCENARIO. SPEILMAN ALSO BELIEVES THAT HILAL HAS CONTACTED OTHER COMPANIES INVOLVED WITH SINAI CONCESSIONS, PARTICULARLY ENI. SPEILMAN HAS REPORTED THIS APPROACH TO HIS NEW YORK OFFICE.

2. WE INFORMED SPEILMAN THAT TAKEOVER OF FIRST OIL FIELD, RAS AL-SIDR, MIGHT BE IN ABOUT 4 WEEKS. DETAILS MUST STILL BE WORKED OUT IN UPCOMING WORKING GROUP IN GENEVA. TOTAL PROCESS IS EXPECTED TO TAKE 8-10 WEEKS. DURING RECENT NEGOTIATIONS ON INTERIM AGREEMENT, EGYPTIANS INDICATED AMERICANS WORKING FOR MOBIL AND ITALIANS FOR ENI WOULD BE FIRST IN TO TAKE OVER OIL FIELDS FROM ISRAEL. EGYPTIANS WOULD FOLLOW. HILAL'S DEMARCHE FITS THIS SCENARIO.

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3. THERE ARE, OF COURSE, UNANSWERED QUESTIONS, WHICH WILL

HAVE TO BE WORKED OUT BY TECHNICAL GROUP MEETING IN GENEVA, E.G. WOULD MOBIL PROVIDE ACTUAL TECHNICIANS TO TAKE CHARGE OF PRODUCING OIL FIELDS UNTIL EGYPTIAN TECHNICIANS ARRIVED; WHO WOULD FUND COST OF SUCH TECHNICIANS; JUST EXACTLY HOW TRANSFER WOULD TAKE PLACE. DEPT MAY WISH TO BE IN TOUCH WITH MOBIL TO TELL THEM THAT THIS IS SCENARIO WHICH EGYPTIANS AND ISRAELIS HAVE AGREED UPON AND THAT IT WOULD NOT BE INAPPROPRIATE FOR THEM TO TAKE PART.

4. FYI. HILAL ALSO REPORTEDLY TOLD SPEILMAN THAT ISRAELIS WERE BOUND BY AGREEMENT TO RETURN EQUIPMENT IN "PRE-1967 CONDITION" (SIC). SPEILMAN FELT THIS COULD CAUSE HIM SOME TROUBLE, IF HE WERE TO RECEIVE EQUIPMENT ON BEHALF OF THE EGYPTIAN GOVERNMENT BECAUSE HE WOULD BE IN NO POSITION TO CERTIFY THAT EXISTING CONDITION CONFORMED WITH THAT EXISTING IN 1967. HE HAS THEREFORE ASKED HIS NEW YORK OFFICE TO PREPARE A POWER OF ATTORNEY SETTING FORTH THE CONDITIONS UNDER WHICH HE WOULD RECEIVE THE PROPERTY. END FYI.
EILTS

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